

Industrial relations and social dialogue Norway: Developments in working life 2022

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Introduction

The year 2022 hit Europe with war, energy crisis and high inflation. Fortunately for Norway, the country is a supplier of oil and gas, and is abundant in hydroelectric power. This gives the country a net financial surplus form energy trade, but the disturbance in energy prices in Europe has caused difficulties for Norwegian households, smaller businesses, and parts of the industry. Growth in gross domestic product (GDP) of mainland Norway (excluding extraction of oil and gas, pipeline transport and foreign shipping) is estimated to be 3.8% from 2021 to 2022.

The employment level in Norway was 70% in November 2022, and unemployment was low. Only 3.3% of the working force was registered as unemployed at the end of the year.

Inflation has increased in 2022. The harmonized consumer price index has soared by 6.3%. For low-income households, the 11.5% increase in food and beverages prices led to significant increases in the cost of living.

Electricity prices for consumers increased by over 400% over two years from 2020 to 2022. Approximately 80% of the heating in households in Norway is covered by electricity. To ease the burden on households, a subsidy scheme was introduced in 2021. The scheme has reduced the costs, and including subsidies, the increase of electricity prices for consumers has been around 200% in the period from 2020 to 2022.

Political context

After six years with a conservative government, The Norwegian Labour Party could form a coalition government with The Centre Party after the general election in September 2021. In 2022, the cabinet of Jonas Gahr Støre, had to handle the last wave of the pandemic and the increase in electricity prices before the war in Ukraine started, with new political challenges.

During 2022, the government has maintained a close informal dialogue with the social partners, in order to anchor the energy policy and gain broader support for political measures to support the population and the businesses, and at the same time avoid policies that can cause increased inflation. However, there has been much debate about the measures, and lack of measures, to lower or control the electricity prices. Many businesses have been hard hit by high electricity prices, and several employers' associations and trade associations have criticised the government. The government has met the critiques with the argument that the measures have to be well-aimed and that it is the government's overall goal to prevent the inflation to increase.

Since its appointment, the Labour led government has introduced new legislation concerning working life. Regulations on temporary agency work has been amended, and trade unions have been granted the right to bring legal action in its own name concerning the legality of hiring of workers from staffing companies. The amendments caused political debate and was criticised by the employers' associations.

There have been no demonstrations as a result of the cost-of-living crisis.

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Actors, institutions and processes

Social partners

There has not been any major changes or developments during 2022 in the actors dealing with working life related issues.

Social dialogue bodies or frameworks

There has not been any major changes or developments during 2022 in the institutions dealing with social dialogue. The crisis emerging from the COVID-19 pandemic and the war in Ukraine, together with the energy crisis, have led to close informal cooperation among the social partners and the government, with the purpose to find measures acceptable for both employers and unions. Although this informal cooperation is not a new feature, it has in periods during 2022, been very comprehensive.

Other working life related institutions

There has not been any major changes or developments during 2022 in working life institutions. However, in June 2022, the government passed a regulation (a-krimforskriften) on the sharing of confidential information and the processing of personal data in the inter-agency cooperation against workplace crime. This regulation involves a wide range of supervision authorities. It gives the authorities permission to share information with each other without regard to confidentiality regulations, when the aim is preventing, uncovering, or sanctioning offenses that may lead to worse working conditions, infringe on employees' rights, damage competition in the business world or lead to abuse of tax, levy, or welfare schemes.

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Governmental responses to inflation

In 2022, the harmonized consumer price index increased by 6.3% in Norway (SSB, 2023a). The central bank of Norway raised the policy rate six times during the year, from 0.5% in the beginning of the year, to 2.75% in December 2022. In its budget for 2023, the government emphasised that it considers it important that monetary and fiscal policy work together and signalise that the use of oil revenue will be reduced to ease the pressure in the Norwegian economy. In addition, the government proposed to raise taxes on higher incomes and introduced resource rent tax on fish farms.

The government did not introduce any new general measures to respond the increasing inflation during 2022. However, several support schemes were launched to deal with the soaring electricity price. The following measures are temporary support schemes:

- The government introduced an electricity subsidy scheme late in 2021 to help households deal with extraordinary electricity prices.ⁱ
- In December 2022 an energy subsidy scheme was introduced as a temporary scheme for energy subsidies to business as a result of extraordinary electricity expenses.
- In September 2022, the government proposed changes to the basic rent tax on hydropower for fixed price agreements. The aim of the change was to facilitate better fixed price agreements for electricity for that part of the business world, which has not been part of the electricity subsidy scheme.
- Reduction of the electricity tax. A separate, lower tax rate is introduced for the winter months.
- In 2022, the parliament (Stortinget) has increased the allocation for housing benefit to
 remedy the situation with high electricity prices. Housing benefit is a government support
 scheme for low incomes households with high housing costs. In addition, the framework
 grant to the municipalities was increased to cover increased payment of social assistance as
 a result of high electricity prices.
- Students and adult pupils in further education can apply for a grant to cover electricity bills.
- The parliament (Stortinget) has funded a temporary subsidy scheme for voluntary organisations. The coverage rate is the same as the scheme directed towards households. Athletic clubs, that are dependent on gas supply, can receive subsidy to pay for high gas bills.
- The parliament (Stortinget) has adopted a temporary scheme for electricity subsidies for the agricultural and greenhouse industry, valid until 1 July 2023. The scheme is based on the same model as the electricity subsidy scheme for households.
- The government introduced a temporary subsidy scheme in 2022 for church buildings in the Church of Norway. The aim was to contribute to fewer churches reducing their service during the Christmas holidays.

ⁱ Eurofound (2021) <u>Electricity Support Act: Reducing household electricity costs</u>, case NO-2021-49/2321 (measures in Norway), COVID-19 EU PolicyWatch, Dublin.

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Collective bargaining and inflation

How inflation features in wage negotiations

The wage formation in Norway is based on coordination and a pattern bargaining model. The manufacturing industry bargains as a frontrunning sector and sets a benchmark for wage increases for other industries and sectors to follow. This helps to keep wage growth under control even with low unemployment. During the preparation for negotiations, a tripartite board (the Technical Reporting Committee on Income Settlements or *Teknisk beregningsutvalg*) facilitates the subsequent collective negotiations by agreeing on the current economic situation, including previous years' wage increases and inflation and an estimate of the inflation in the coming year. In this way, both backward and forward-looking figures of inflation is taken into consideration in the wage bargaining. The inflation numbers agreed upon, is based on national inflations figures and estimates from the Central Bank of Norway, Norway Statistics, and other reliable sources.

Collective agreements in Norway do not today have clauses referring to inflation, like renegotiation clauses or threshold marks referring to the index of retail prices. The development in inflation reports during the year, may however have had some influence on local bargaining. To what extent, we will not know before figures of wage development is presented the following year.

Examples of recent responses

The negotiations in the manufacturing industry were carried out in March, and even though it was obvious that the inflation rate was increasing more than expected, the union held on to the inflation rate that the social partners had agreed on before the bargaining round when it calculated its claim. Although inflation continued to grow, all the other industries and sectors bargaining after the frontrunning sector carried out the negotiations while they remained loyal to the benchmark. However, it is too early to say whether the rising inflation will impact the local negotiations that took place in the autumn.

Increasing inflation during 2022 may have caused discussions about the mark for wage increase during negotiations but does not seem to have been a significant factor in any of the strikes that occurred during the year. A large strike among teachers in the communal sector was initiated with arguments about lesser wage development than other groups. In private kindergartens, the unions went on strike to improve the pension scheme, and in SAS airline the pilots defended the current wage level and the right to a single collective agreement by industrial action. Two strikes were started with extensive wage demands, but inflation was not an overt argument used in the industrial action.

The continued inflation is expected to be a topic in the coming wage negotiations in 2023. However, the commitment of the large organisations to the coordinated wage formation, and the fact that for most of the agreements the bargaining round in 2023 is a mid-term bargaining in a two-year agreement with only wage adjustment on the agenda, the inflation will probably not cause great disturbance to the wage movement. Tensions within the coordination is a continuing challenge though.

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Developments in working time

Changes to legislation

With effect from 1 July 2022, an amended administrative regulation covering work that is carried out in the private employer's home and household, was implemented. The regulation applies to working conditions where the employee performs work in the employer's private home or household and strengthen the regulation of working hours in addition to other changes. The regulation does not apply to working conditions where the employee's fixed and actual weekly working hours are three hours or less on average during a period of four weeks (Regjeringen, 2022a).

At the same date, amendments to the regulations on work carried out in the employees home took effect. The new regulations on teleworking (called home office in Norway) replaced the earlier regulation with its special rules on working hours and laid down that that the same rules for working time must apply to work from home/telework as to work at the workplace (Regjeringen, 2022a).

In December 2022, the parliament (Storting) passed an amendment to the Working Environment Act with the aim to strengthen the right to full-time employment. Although a number of measures have been implemented in recent years to increase the proportion of full-time workers, part-time work is still very widespread in certain industries and occupations, for example among those who worked on rotating schemes in the health and care sector. The new legislation states that the main rule in working life must be full-time employment. To ensure that employers comply with the full-time norm and to ensure so that the businesses assess their requirements before part-time employment is undertaken, an employer must document the need for part-time work in writing before part-time employment and discuss the issue of part-time employment with the union representatives. The written documentation must be available to shop stewards in the businesse.

The amendment to the Working Environment Act also provides that part-time employees shall be given preferential rights to an extended position (e.g., from 40% part-time to 80% part-time or 100% full-time) rather than the employer hiring new employees. Part-time employees must also be given priority for extra shifts (Regjeringen, 2022b). The regulation entered into force on 1 January 2023.

Bargaining outcomes

No major changes or developments.

Debates on duration and organisation

When the Norwegian Confederation of Trade Unions (LO) held its congress in May 2022, working time reduction was on the agenda. The Congress recognised that the unions held different views on the matter, and concluded in LO's action programme that the trade unions would defend standard working hours and strengthen the trade union movement's influence on the organization of working time. This was the same statement as in the former action programme. Any reductions of working time or other exceptions to the working time regulation, must, as a general rule, be agreed in collective agreements, the Congress added to the statement (LO, 2022a).

There have not been any major discussions on the duration of working time in Norway during 2022. Though, in a hearing of the government's proposal for an amendment to the Working Environment Act on part-time work, many employers' associations and unions expressed their views on the proposal. The Employers' Association Spekter, one of Norway's four large employers' associations, agreed with the ministry's objective that as many as possible should have permanent, full-time positions. It is a benefit for the individual employee who receives a wage to live on, and it is a benefit for the businesses and society that is in need of labour, Spekter argued. Spekter is organising most of the companies in the health sector where part-time work is significant. However, Spekter found that the government's proposal did not take into account the reasons part-time work was common. None of the proposed measures that were under consultation would solve the problem, Spekter argued. The employers' association holds the practice of the Working Environment Act's working time rules, as the main reason for the large proportion of part-time work in sectors where employees work on rotating schemes. The challenge is that current working time regulations are an obstacle to finding a better distribution of working time, Spekter argues (Spekter, 2022).

Spekter's argument goes into a recurring discussion about the large share of part-time work in the sector and on regulation of working time in the health and care sector in Norway. The unions do not agree with Spekter, and it has not been possible for the social partners to find grounds for a common approach on this question.

Labour market shortages and social partners

The Norwegian labour marked is characterised by low unemployment and a high demand for labour due to economic growth and an ageing population. Some sectors do have a problem with a high level of part-time work and early retirement in some professions (NOU, 2020:2).

The number of employed persons has increased in Norway the last decade, mainly due to influx of labour from EU Member States. Since the EU enlargements in 2004 and 2007, the labour shortage combined with a high income-level, has given a substantial influx of labour immigrants. This influx has during the last years flattened out, and during the pandemic it stopped completely in periods, and many migrant workers left for their country of origin. This highlighted how dependant the Norwegian labour market has become on migrant workers.

The latest business survey, conducted by Norwegian Labour and Welfare Administration (NAV), conducted in 2022, shows that Norwegian businesses lack 70,000 employees, and that several industries report serious problems with obtaining labour and workers with right qualifications. The lack of labour is highest in the health and care sector, followed by construction and real estate property management (Myklathun, 2022). The shortages of labour in the health and care sector have lasted for several years and are increasing. NAV estimates that companies and service providers in the sector need 15,750 people including 5,900 nurses.

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Other important policy developments

Employment status and contracts

In March 2022, the government proposed to abolish the general access to temporary employment for one year without a requirement for special justification (Prop.35 L (2021-2022)). This section in the Working Environment Act was adopted under the former conservative government. The government argued that the proposal to abolish the section was part of the government's work to strengthen employees' right to permanent employment and to promote participation in working life through full-time and permanent positions. The provision was implemented on 1 July 2022.

As a follow up of the 2021 report of the Future of Work committee, appointed by the government (NOU, 2021: 9), the government proposed in November 2022 some amendments to the Working Environment Act to clarify the notion of employee (Prop 14 L (2022-2023)). The ministry argued that it was important to avoid circumvention of the Working Environment Act and to ensure that those who are actually employees are classified as such and receive the employment law protection to which they are entitled. Without any intention to change the legal definition, the Ministry proposed to change the wording in the section giving a legal definition on an employee, from "in the service of another" to "work for and subordinate to another". The aim is to highlight the element of dependence and subordination, the ministry argued in the proposal, and herby clarify that emphasis must be placed on dependence, subordination, and imbalance in the contractual relationship. This proposal is mainly supported by all the large unions, but not by the employers' associations. In addition, the government proposed to introduce a presumption rule, that stated that it shall be assumed that there is an employment relationship unless the principal makes it highly probable that there is an independent relationship between the principal and the contractor. The employers' associations did not support this proposal either.

Self-employed

In the report from 2021 (NOU, 2021: 9), the government-appointed Future of Work committee proposed a more consistent terminology concerning self-employed in the Working Environment Act. The government followed up the committee's recommendation in November 2022 and proposed to use the term "independent contractor" consistently in the Working Environment Act. This proposal received broad support in the consultation. The term is intended to include all persons who, without their own employees, carry out work through assignments for the business without being an employee, the ministry clarified. The aim was not to change any regulation but to make it easier to read and understand the law.

Wage setting

The coordinated wage formation in Norway can contribute to lower unemployment and higher employment over time if the parties take into account how wage growth affects the economy and the labour market. However, it can also create tensions among different income groups, industries, professions, or sectors, due to the limitations the model lays on the possibilities to deviate from the wage norm. Changes in the inflation rate, like Norway experienced in 2022, may increase the tensions. Such tensions create a recurring discussion about the model. After the wage settlement in 2022, the two main actors in the settlement, The Confederation of Norwegian Enterprise (NHO) and the Norwegian Confederation of Trade Unions (LO), asked for a new tripartite committee to strengthen the model and look into how the interest rate setting of the Central Bank of Norway (Norges Bank), the state budget process, and the wage settlements better can be coordinated (Fri Fagbevegelse, 2022a).

After receiving input from the social partners, the government agreed to appoint a committee (Adresseavisen, 2022). LO did not want the committee to address how the wage setting model creates tensions between the different unions and trade union confederations, but rather discuss the model's functioning in the economy as a whole. The other three main trade union confederations (Unio, YS, Akademikerne) have given a common statement in a letter to the prime minister where they ask specifically that topics that have created tensions between the unions, are addressed by the planned committee (Unio et. al., 2022). A committee with representation from all the main confederations on both the employer and the union side was appointed in January 2023. The committee will be chaired by Professor Steinar Holden at the University of Oslo, and apart from the social partners, the other members are independent experts and from the ministries. The committee will discuss macroeconomic developments that may create challenges for the Norwegian economy and wage formation and review research and experiences with the practice of the leading sector model (Regjeringen, 2023).

Gender pay gap

In its report on the income settlement of 2022, the Technical Reporting Committee on Income Settlements (TRC/TBU) finds that in industry, the difference in the average wage level between women and men among workers increased from 2020 to 2021, while the difference decreased among white-collar workers in industry and for government employees. There were small changes in other sectors. Seen over a longer period, the main trend is that the pay gap has been reduced. Some of the collective agreements negotiated in 2022 had provisions that could have equality implications (TBU, 2022).

Health and safety

On 1 July 2022, amendments to the Working Environment Act came into force and made the act applicable on professional diving and pilot activity in shipping. This means that pilots and pilot candidates will also be covered by the Working Environment Act. The Working Environment Act is the central protection legislation for workers in Norway.

Work-life balance

From 1 July 2022, fathers' right to parental allowance was strengthened. The Ministry of Children and Families announced that fathers get an independent right to eight weeks of parental allowance. This means that he is entitled to parental allowance for eight weeks without the mother returning to work. Fathers also get the opportunity to take out up to two weeks of parental allowance in connection with the birth. The proposals give fathers an extended right to parental allowance. The changes involve adaptations that meet the requirements of Directive (EU) 2019/1158 on work-life balance for parents and carers (Work-life Balance Directive).

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Lifelong learning and skills development

The coalition government took office in 2021 with aims to carry out a broad reform of continuing education and training for working life and lifelong learning that responds to the needs of employees and employers. One of the goals is to investigate how employees can earn the right continuing and further education and make it more attractive for universities to offer shorter courses adapted to continuing and further education. The government points to the state's opportunities to finance such a reform through, among other things, tripartite cooperation and a competence funds (Regjeringen, 2021).

As part of the wage settlement in 2022, The Norwegian United Federation of Trade Unions (Fellesforbundet, affiliated to LO) and The Federation of Norwegian Industries (Norsk Industri, affiliated to NHO), wrote a letter to the Minister of Research and Higher Education, Ola Borten Moe, where they asked the government to establish a tripartite continuing and further education reform for skilled workers in the Norwegian industry. The minister confirmed that the government would develop the cooperation with the social partners further and was prepared to contribute to funding the reform as part of a tripartite collaboration (Norsk Industri and Fellesforbundet, 2022).

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Working life of Ukrainian refugees

Employment and working conditions

Immigration Norway (UDI) has registered 37,400 applications for protection (asylum) from Ukrainian citizens in 2022 and until mid-January 2023. Of these, 8,100 are men, 17,500 women, and 11,800 are children (UDI, 2023).

There has been steady growth from 2016 to 2022 in the number of Ukrainians working in Norway. In 2021, India, Ukraine and the USA were the countries with most residence permit applications for third-country nationals. In January 2022, 4,029 resident Ukrainians were working in Norway. The number had risen to 6,200 in October 2022. In addition, 300 non-resident Ukrainians were commuting to Norway and working temporarily.

About 2 out of 3 Ukrainians working in Norway are women. More than 3 out of 5 wage earners are under 40 years of age, while only a scant 7% are over 55 years of age (SSB, 2023).

Currently, there is no information available on how many of the working Ukrainians that are refugees seeking protection after the war broke out. Ukrainian refugees have full access to the Norwegian labour market. They have the right to receive a mapping of their skills, and to participate in career guidance, after being settled in a municipality. A study carried out between July and October 2022, describe how Ukrainian refugees are received in Poland and Norway, and map the factors that shape these refugees' decisions to leave their current country of residence, and for those already abroad, what shapes their decisions to remain or repatriate. However, the study has little information on employment (Kjeøy and Tyldum, 2022).

In April 2022, seasonal workers and students from Ukraine were granted temporary collective protection. This gave the Ukrainians a right to work in Norway without special restrictions. A residence permit according to the rules on protection also gives more rights in Norway than a seasonal work permit, such as the right to family reunification and to participate in the introduction programme for refugees (Regjeringen, 2023).

A new chapter has been Introduced in the Integration Act with temporary provisions for persons who have been granted collective protection (a residence permit pursuant to Section 34 of the Immigration Act). An important purpose of the new regulations is to support the government's objective that as many as possible of those displaced from Ukraine should get into work quickly.

Social partner initiatives to support Ukrainian refugees

In March 2022, The Confederation of Norwegian Enterprise (NHO) and the Norwegian Confederation of Trade Unions (LO) welcomed Ukrainians to the Norwegian labour marked. In an interview in the newspaper Aftenposten, the CEO of NHO, Ole Erik Almlid, said it would be good for the refugees to get out to work, and that this would benefit the employers as well. The leader of LO, Peggy Hessen Følsvik, emphasised the importance to give the Ukrainian a good welcome and ensure that they enter a safe working life and are not exploited (Dagens Perspektiv, 2022).

NHO is Norway's largest organisation for employers in Norway and a leading business lobbyist. NHO has provided practical information for employers who wish to offer jobs to refugees from Ukraine. This information include links to public service providers. The information is intended to give

employers understanding of the relevant regulations and how to get in contact with The Norwegian Labour and Welfare Administration (NAV) that is responsible for matching unemployed people with companies that need labour. NHO's practical information contain links to NAV's information to refugees in Ukrainian language.

NHO notice that many of its NGO-member companies, like the Red Cross, the Salvation Army, Amnesty International and others, mobilising to help Ukraine and has provided information to its other member companies on how to support this work. The employer's association also provide information about the sanctions against Russia and general information on work related topics that is pertinent to contact with Russians or Ukrainians.

The Norwegian Confederation of Trade Unions (LO) and its unions have during 2022 donated money for aid work in Ukraine (Fri Fagbevegelse, 2022), to the Red Cross' work for Ukrainians, and have established contact with the Federation of Trade Unions of Ukraine (FPU) and Ukrainian unions (LO 2022). Many union members were offering accommodation to refugees from Ukraine in their own homes, and in March 2022, the LO member unions decided to extend the coverage of their members household contents insurance scheme to include contents and movables the refugees bring with them.ⁱⁱ

Other Norwegian unions have also supported Ukraine. Unio, the Confederation of Unions for Professionals Norway has supported FPU and KVPU's aid work in Ukraine, and the support is administered through the global trade union aid fund for Ukraine (Unio, 2022).

ⁱⁱ Eurofound (2020) <u>Unions' household insurance scheme to cover refugees</u>, case NO-2022-12/2265, (measures in Norway), EU PolicyWatch, Dublin.

Commentary and outlook

2022 was the first full year of the coalition cabinet of Jonas Gahr Støre, made up of the Norwegian Labour Party and the Centre Party. The two parties won the election in 2021 with a programme that promised to redistribute power and wealth to "common people". In that first year, many of the government's promises drowned in the Ukrainian war, the energy crisis, and in rising inflation.

Despite the challenging war situation in the spring of 2022, the wage settlement was accomplished without more conflicts and industrial actions than usual. When the Norwegian society reopened after the pandemic, in the spring of 2022, Norway experienced a strong demand for labour. The unemployment rate decreased, and business announced a record number of vacancies. The estimate of the Consumer price index in February 2022, a month before the start of the wage settlement, showed a yearly growth of 3.7%. As part of the wage settlement for the manufacturing industry, The Confederation of Norwegian Enterprise (NHO), in understanding with The Norwegian Confederation of Trade Unions (LO), estimated the yearly wage growth for the coming year to be 3.7% as well. This figure became a benchmark for the rest of the settlement.

As inflation increased, the Central Bank of Norway increased its interest rate and the government held firm on its relatively tight budget. The government's goal has been to suppress the growing inflation to keep the wage growth under control. This policy has to a certain extent been supported by the social partners, but the chief economist of LO has warned there is a risk that increased interest rate might have a negative effect on the labour market and lead to higher unemployment. Some of the unions and parties of the opposition have demanded more public spending. It has been hard for the government to withstand the pressure for more spending when high oil and gas prices are filling the treasury. While inflation and tight spending have made the government unpopular among voters, introduction of a new resource rent tax on electricity and offshore fish farms and increased tax on shares, have made the government unpopular in business and industry. However, the social dialogue has been close during the different crises the government has handled.

Although the government has struggled with the economy in 2022, it has fulfilled many of its vows in the labour market policy. It has increased the tax refund for union membership fees to strengthen the union density. It has reintroduced a right for trade unions to bring legal action in its own name concerning the legality of hiring of workers from staffing companies. In 2023 a ban on hiring from staffing companies for construction work on construction sites in Oslo and two adjacent counties will take effect. By this the government hopes to increase permanent employment in the construction industry and avoid illegal hiring. The unions have supported this measure.

Thanks to high revenue from oil and gas and high steam in the economy, Norway has managed well throughout 2022. High inflation and soaring electricity prices may however be jokers in the coming wage settlement. If the government succeeds in keeping the inflation down and the social partners manage to keep wages under control through the pattern bargaining model, 2023 could be the year the Central Bank interest rate peaks. That would be a relief for many indebted households now struggling to make ends meet.

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